



**FOR IMMEDIATE RELEASE**

## **RHB Capital Berhad Records RM1.6 billion Pre-tax Profit for first Nine Months 2015**

- ◆ **Excluding one off CTS expenses, pre-tax profit at RM1.9 billion**
- ◆ **Gross loans grew by 5.0% to RM149.6 billion from December 2014**
- ◆ **Customer deposits stood at RM159.0 billion with current and savings account growing by 8.6% from December 2014**
- ◆ **Asset quality improved to 1.94% from 2.03% in December 2014**

**Kuala Lumpur, 30 November 2015**

RHB Capital Berhad (“the Group”) today reported a pre-tax profit of RM1,631.5 million and net profit of RM1,195.3 million respectively for the first nine months of 2015.

Excluding a one-off Career Transition Scheme (“CTS”) expenses of RM308.8 million, the Group’s normalised pre-tax profit was at RM1,940.3 million, lower by 7.2%. This was mainly attributed to lower investment banking related fee income and lower trading income and higher operating expenses. The lower impairment written back on other assets was offset by lower loan impairment charges during the period. The Group’s net profit before the one-off CTS was at RM1,426.9 million, a decrease of 8.0% from previous corresponding period.

For the first nine months of the year, net fund based income grew by 1.6% to RM3,004.4 million. Gross fund based income increased by 10.8% on the back of 10.0% increase in gross loans and financing. Funding and interest expense however, was higher by 18.5% mainly due to higher customer deposit and higher funding expense on sukuk and sub-debts totaling RM1.5 billion and USD300 million senior unsecured notes issued during the second half of 2014.

Non-fund based income was lower by 6.0% at RM1,504.7 million. This was mainly due to lower trading income and investment banking related fee income, partly offset by higher foreign exchange gain and increase in wealth management fee income.

Excluding the one off CTS expenses, other operating expenses rose by 4.1%, reflecting a strong cost discipline across the Group. The Group has completed the CTS in Malaysia with a total of 1,812 applications accepted and payout amounting to RM308.8 million.

Allowance for impairment on loans and financing for the period decreased by RM60.0 million to RM105.8 million. This was primarily due to lower collective allowance and lower bad debts written off, partially offset by higher individual allowance and lower impaired loans and financing recovered.

Impairment losses written back on other assets was lower at RM59.4 million due to the absence of a large one off recovery in 2014.

### **Third Quarter 2015 Earnings**

Normalised pre-tax profit for the quarter was at RM603.1 million, 18.7% lower as compared to RM692.4 million recorded in the preceding quarter ended 30 June 2015. This was mainly due to higher impairment on loans and financing, lower non-fund based income and higher operating expenses, partly offset by higher net interest and fund based income.

### **Balance Sheet and Asset Quality**

Total assets rose by 4.7% or RM10.2 billion to RM229.6 billion as at 30 September 2015, whilst shareholders' funds stood at RM20.5 billion. Net assets per share improved to RM7.94 compared to RM7.31 as at 31 December 2014.

The Group's gross loans and financing grew by 5.0% for the first nine months of 2015, and 10.0% year-on-year to RM149.6 billion. Excluding one large corporate repayment during the period, gross loans growth was at 6.5% for the first nine months of the year. The growth was broad based, predominantly from purchase of residential and non-residential properties, construction and working capital. The Group's domestic loan market share stood at 9.4% as at 30 September 2015.

As the Group continue to rebalance its liquidity and funding position, customer deposits grew by a marginal 1.2% for the first nine months of the year and expanded by 7.3% year-on-year to RM159.0 billion. However, current and savings account ("CASA") balances registered a strong growth of 8.6% and CASA composition improved to 23.3% as at 30 September 2015 from 21.7% in December 2014.

Asset quality continue to improve where gross impaired loans ratio decreased to 1.94% from 2.03% in December 2014.

## Performance Review of Key Business Units

**Retail Banking** recorded pre-tax profit of RM919.3 million for the first nine months ended 30 September 2015, 27.7% higher than the previous year corresponding period. This was mainly due to higher write back on allowance for loans and financing, and lower overhead expenses. However, this was mitigated by lower net fund based income despite higher average loans volume as competition in retail market intensified. Gross loans and financing grew by 4.7% for the first nine months of 2015 to RM67.2 billion mainly driven by growth in mortgage and commercial property financing, partially offset by a decrease in auto loans. Deposits remained stable given a 4.6% increase in current and savings account balances, offset by a decrease in fixed deposits by 2.1%.

**Business Banking** pre-tax profit was lower by 18.9% to RM264.3 million, mainly attributable to higher allowance for loans and financing and higher overhead expenses, partially offset by higher net fund based income. Gross loans and financing grew by 10.1% for the first nine months of 2015 to RM19.6 billion driven mainly by programme lending and middle market business loans. SME market share improved to 8.7% from 7.2% as at December 2014. Deposits increased by 4.5% over the same period to RM21.9 billion attributable mainly by a 7.3% growth in current deposits.

**Corporate and Investment Banking** pre-tax profit was lower by 48.8% to RM505.5 million. This was mainly attributable to higher impairment charge on allowance for loans and financing with a few non-recurring recoveries in 2014 and non-recurrence of a write back on other assets amounting to RM112.4 million. Performance was also affected by lower investment banking related fee income and higher operating expenses. Gross loans and financing was marginally lower by 0.8% for the first nine months of 2015 to RM47.6 billion, mainly due to a large corporate customer loan repayment. Deposits increased by 23.3% to RM47.0 billion with fixed deposits and current deposits growing by 25.2% and 14.1% respectively.

**Group Treasury** pre-tax profit was higher by 48.2% to RM301.6 million, mainly due to higher impairment write back on other assets, higher net fund based income and higher net foreign exchange gain, partially offset by lower investment and trading gain.

**Group International Business** pre-tax profit increased by 68.4% to RM114.6 million, mainly attributable to higher net interest income, partially offset by higher operating expenses. Singapore, being the largest contributor of Group International Business, recorded pre-tax profit growth of 25.1% to SGD41.7 million in the first nine months of 2015 compared to SGD33.3 million recorded a year ago. Gross loans and advances in Singapore grew by 3.5% for the first nine months of the year, whilst its deposits increased by 5.7%.

**RHB Group's Islamic business** continues to show positive results. RHB Islamic Bank Berhad recorded a 15.7% increase in pre-tax profit to RM254.1 million in the first nine months of 2015, compared to RM219.5 million in the previous year corresponding period. Total income increased by 13.7% to RM465.9 million, mainly due to higher net fund based income on the back of gross financing growth of 12.0% for the first nine months of 2015 to RM28.6 billion. Islamic financing as a percentage of Group's total domestic gross loans and financing increased to 21.4% from 19.5% as at 31 December 2014. RHB Islamic Bank's financing asset improved from 6th position in 2014 to 5th as at September 2015.

### **Prospect for the Year and Comments from Group Managing Director**

2015 Malaysian economic growth is expected to moderate to 4.8% from 6.0% in 2014 on the back of a weaker external environment and domestic demand. Domestic loans growth is anticipated to ease to 7.5% - 8.5%, while financial and capital market activities are expected to remain soft in view of the macroeconomic volatility.

Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group, commented, "Overall, the Group's performance is satisfactory on the back of challenges in the economic and business environment, especially for investment banking activities. The Group will accelerate its focus on managing operational efficiency and maintaining sound asset quality. The completion of the CTS will create a leaner organisation with enhanced efficiency. We are confident that the completion of the proposed Rights Issue and internal reorganisation which is expected to be completed by Q1 2016, will position the Group on a strong footing for growth and profitability."

## Key Financial Highlights

Financial Performance (RM'000)	9 months ended 30 September 2015	9 months ended 30 September 2014
Operating profit before allowances	1,677,600	2,133,957
Profit before taxation	1,631,538	2,091,467
Profit attributable to equity holders of the Company	1,195,307	1,551,809
Earnings per share (sen)	46.3	60.8
Balance Sheet (RM'000)	As at 30 September 2015	As at 31 December 2014
Gross loans, advances and financing	149,551,646	142,486,190
Gross impaired loans, advances and financing ratio (%)	1.94	2.03
Deposits from customers	158,968,147	157,133,993
Total assets	229,558,067	219,354,436
Equity attributable to equity holders of the Company (RM'000)	20,547,265	18,794,297
Net assets per share (RM)	7.94	7.31

*This release contains forward-looking statements such as the outlook for the RHB Banking Group. Although RHB believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove correct subsequently. Actual performance may be materially different from that which had been anticipated or described herein, and RHB Capital's financial and business plans may be subject to change from time to time.*

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## **About the RHB Banking Group**

*The RHB Banking Group is the fourth largest fully integrated financial services group in Malaysia. The Group's core businesses are streamlined into three main business pillars, namely Group Retail and Commercial Banking, Group International Business and Group Corporate and Investment Banking. These businesses are offered through its main subsidiaries - RHB Bank Berhad, RHB Investment Bank Berhad, RHB Insurance Berhad and RHB Islamic Bank Berhad, while its asset management and unit trust businesses are undertaken by RHB Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad. The Group's regional presence now spans ten countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong, Vietnam, Lao PDR and Myanmar. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.*

## **APPENDIX**

### **Significant Corporate Development**

#### **(1) Group Internal Reorganisation**

As announced by the Company on 2 October 2014, RHB Investment Bank Berhad (“RHB Investment Bank”), a wholly-owned subsidiary of the Company, has on 1 October 2014 entered into a share sale agreement with RHB Indochina Bank Limited (“RHB Indochina Bank”), a wholly-owned subsidiary of RHB Bank Berhad (“RHB Bank”), which in turn is a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited (“RHBISL”) from RHB Indochina Bank for a consideration of USD12,500,000 (“Acquisition”).

RHBISL, was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia (“SECC”) as a licensed security firm undertaking securities underwriting business.

Approvals from Bank Negara Malaysia (“BNM”), Securities Commission of Malaysia, SECC (in principle) and National Bank of Cambodia were obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 7 May 2015, respectively. The matter is currently pending the formal approval from SECC and registration of the amended Memorandum and Articles of Association of RHBISL at the Ministry of Commerce Cambodia.

Upon completion of the Acquisition, RHBISL will become a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

**(2) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the “Proposals”)**

RHB Capital had announced that it proposes to undertake the following proposals:

(i) Rights Issue

RHB Capital is proposing to undertake a renounceable rights issue of new RHB Capital Shares (“Rights Shares”) to entitled shareholders to raise gross proceeds of up to RM2.5 billion (“Intended Gross Proceeds”). On 7 September 2015, the issue price and the entitlement basis for the Rights Issue has been fixed at RM4.82 per Rights Share on the basis of one (1) Right Share for every five (5) existing RHB Capital Shares held by the entitled shareholders of RHB Capital as at the entitlement date of 23 November 2015. The Intended Gross Proceeds shall be utilised to further capitalise RHB Bank and to finance the working capital requirements of RHB Bank Group, only if the Proposed Internal Reorganisation is implemented (“Capital Injection”). In the event that the Proposed Internal Reorganisation is not implemented, the Intended Gross Proceeds shall be utilised to repay external bank borrowings of the Company and any surplus thereafter for injection as equity into RHB Bank and/or repayment of borrowings from RHB Bank, if required.

The Rights Issue will enable the Company to raise funds to further strengthen the capital position of RHB Bank, via the Capital Injection, to support the continuous business growth of RHB Bank Group and meeting the requirements of Basel III.

(ii) Proposed Internal Reorganisation

The Proposed Internal Reorganisation will entail the transfer by RHB Capital of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank (“Identified Assets”), after the Rights Issue, for a total indicative consideration of approximately RM3.71 billion (“Disposal Consideration”) which was arrived at based on a ‘willing-buyer, willing-seller’ basis after taking into consideration the audited net assets (“NA”)/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014. The Disposal Consideration to be received by RHB Capital shall be utilised to repay the bank borrowings of RHB Capital as well as to defray expenses relating to the Proposed Internal Reorganisation.

The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary RHB Property Management Sdn Bhd.



The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under RHB Bank with the aim to achieve greater tax efficiency in view of the change from the two-tier tax system to a single-tier tax system as well as to position RHB Bank to spearhead the Group's future growth.

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of the Company in RHB Bank after the Proposed Rights Issue and Proposed Internal Reorganisation to entitled shareholders of the Company whose names appear in the Record of Depositors of RHB Capital on an entitlement date to be determined and announced later upon completion of the Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment ("Distribution Entitlement Date"). The basis for the Proposed Distribution and Capital Repayment can only be determined later.

Upon completion of the Proposed Distribution and Capital Repayment, the existing shareholders of RHB Capital will continue to hold shares in the Company with par value of RM0.05 each, in the proportion of their shareholdings as at the Distribution Entitlement Date. Upon receiving the approval of the shareholders of the Company for the proposed winding up of RHB Capital ("Proposed Winding Up") at a separate extraordinary general meeting ("EGM") to be convened later, RHB Capital will appoint a liquidator to liquidate the Company and any surplus cash (after the settlement of all liabilities and defrayment of expenses) thereafter will be returned to the shareholders.

RHB Capital will cease to be a shareholder of RHB Bank upon completion of the Proposed Distribution and Capital Repayment. The effective percentage shareholdings of the shareholders of RHB Capital in RHB Bank shall remain unchanged before and after the Proposed Distribution and Capital Repayment.

(iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, RHB Bank will assume the listing status of RHB Capital. RHB Bank will be admitted to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") in place of RHB Capital with the listing of and quotation for the entire issued and paid-up share capital of RHB Bank on the Main Market of Bursa Securities.

The Proposed Transfer of Listing Status will enable RHB Capital's shareholders to have a direct participation in the equity and envisaged growth of RHB Bank Group as well as enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist RHB Bank Group in expanding its customer base.

In addition to the above, RHB Capital also proposes to undertake the Proposed M&A Amendments which entails the consequential amendments to the memorandum and articles of association of the Company to facilitate the Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status.

The inter-conditionality of the Proposals are as follows:

- (i) The Rights Issue is not conditional upon any of the other Proposals.
- (ii) The Proposed Internal Reorganisation is conditional upon the Rights Issue but is not conditional upon the Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status.
- (iii) The Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments are inter-conditional upon each other and are also conditional upon the Proposed Internal Reorganisation and Rights Issue.

The Proposed Transfer of Listing Status can only be effected after the approval of the shareholders of the Company for the Proposed Winding Up have been obtained at a separate EGM to be convened.

To date, the following approvals have been obtained for the Proposals:-

- (i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.
- (ii) Bursa Securities on 30 July 2015 and 4 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.
- (iii) Shareholders of the Company on 27 August 2015 at the EGM of the Company for the Proposed Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties/regulatory authorities.

The Abridged Prospectus in relation to the Rights Issue has been despatched on 25 November 2015 and the Rights Issue is expected to be completed on 21 December 2015, upon the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

**(3) Proposed Subscription in Digital Financial Lab Limited (“DFLL”), by RHB Finexsia.com Sdn Bhd (“RHB Finex”) and Silverlake International Capital Market Solution Limited (“Silverlake Capital”)**

RHB Finex, a company in which RHB Capital holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital, had on 6 August 2015 extend into a subscription agreement (“Agreement”) with Silverlake Capital, to subscribe for redeemable convertible preference shares of USD1.00 each (“RCPS”) at par in DFLL.

Pursuant to the Agreement, RHB Finex and Silverlake Capital will each subscribe for 50% RCPS in DFLL for RM10 million each (“Proposed Subscription”). The Proposed Subscription by RHB Finex will be funded by its internally generated funds. The RCPS shall rank *pari passu* with the existing ordinary shares of USD1.00 each (“Ordinary Shares”) in DFLL in respect with the rights attached to the Ordinary Shares and shall be convertible at any time into Ordinary Shares at no extra cost.

The completion of the Proposed Subscription is subject to regulatory approval.